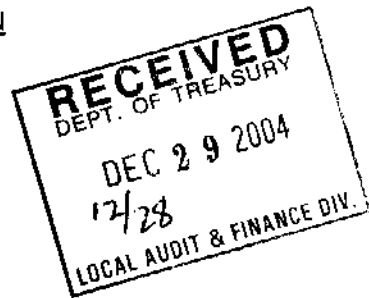


TOWNSHIP OF GANGES  
Allegan County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2004

03-1070



## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

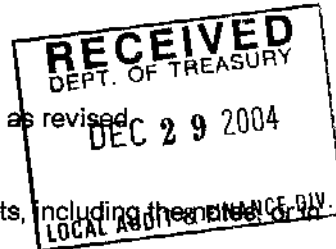
<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Ganges	<b>County</b> Allegan
<b>Audit Date</b> June 30, 2004	<b>Opinion Date</b> November 24, 2004	<b>Date Accountant Report Submitted to State:</b> November 24, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the report of comments and recommendations.



You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF GANGES  
Allegan County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9-10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Notes to Financial Statements	12-17
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	18
Budgetary Comparison Schedule – Roads Fund	19
Budgetary Comparison Schedule – Fire Fund	20
Other Supporting Information:	
General Fund Expenditures by Detailed Account	21-22
Combining Balance Sheet – All Special Revenue Funds	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Special Revenue Funds	24-25
Current Tax Collection Fund Statement of Changes in Assets and Liabilities	26

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
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P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## INDEPENDENT AUDITOR'S REPORT

November 24, 2004

To the Township Board  
Township of Ganges  
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Ganges, Allegan County, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of 's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Ganges, Allegan County, Michigan as of June 30, 2004, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF GANGES  
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2004

This section of the Township of Ganges' annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at June 30, 2004, totaled \$1,544,603.80 for governmental activities. Of this total \$574,063.86 represents capital assets net of depreciation. Overall net assets decreased by \$36,527.93 from the prior year.

Overall revenues were \$1,427,992.67, with \$45,879.00 being received from a FEMA Grant to the Fire Department. Overall expenses were \$786,248.55.

The tax base increased by 8%.

We did not incur any new debt during the year and purchased \$71,863.70 in capital assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF GANGES  
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2004

All of the activities of the Township are reported as governmental activities. These include the General and Special Revenue Funds which are the Roads Fund, Fire Fund, Building Fund, Ambulance Fund and the First Responder Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. The Township's governmental funds include: General, Roads, Fire, Building, Ambulance and First Responder.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets decreased by \$36,527.83 during the year ended June 30, 2004, totaling \$1,544,603.80.

The result is mainly due to the expenditure of \$468,054.98 for roads.

Governmental Activities: The net assets for governmental activities were affected by property tax revenue increases as a result of the increased tax base, and the U.S. Department of Homeland Security award of a FEMA Grant to the Fire Department for \$45,879.00 to upgrade the safety and rescue equipment.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would include parks, zoning, legislative, administrative, elections, Township hall and cemeteries. The major source of revenue for the General Fund is from the Township tax base and the revenue sharing from the State of Michigan.

Roads Fund: This fund is used to record revenues and expenses for road construction and maintenance for streets located within the Township. The source of revenue comes from the road millage levied on property taxes.

Fire Fund: This fund is used to record revenues and expenses for maintaining and operating the Fire Department. The major source of revenue comes from the fire protection millage levied on property taxes and donations. Also, the U.S. Department of Homeland Security granted a FEMA Grant to the Township during this fiscal year.

Ambulance Fund: This fund is used to record revenues and expenses for maintaining and operating the First Responder Unit and to provide ambulance service to the Township. The source of revenue comes from the ambulance service millage levied on property taxes.

First Responder Fund: This fund is used to record revenues and expenses for the First Responder Unit. The source of revenue comes from the Ambulance Fund for operating expenses and from donations.

Building Fund: This fund is used to record revenues and expenses to provide services for the building administration. The source of revenue comes from permit and inspection fees.

TOWNSHIP OF GANGES  
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2004

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: Additions to Township capital assets for this year include Fire Department equipment purchases of \$71,863.70 consisting of Scott Air Pacs, a thermal imaging camera, a containment fill station, a rescue saw, a chain saw and a Cascade air system.

The Township does not have any long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

There are currently no plans for the future which will affect future operations.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact Cindy Yonkers, Township Clerk, or John Herbert, Township Supervisor, during regular business hours.

TOWNSHIP OF GANGES  
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2004

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	941 194 94
Accounts receivable	<u>29 345 00</u>
Total Current Assets	<u>970 539 94</u>
NONCURRENT ASSETS:	
Capital Assets	742 982 94
Less: Accumulated Depreciation	<u>(168 919 08)</u>
Total Noncurrent Assets	<u>574 063 86</u>
TOTAL ASSETS	<u>1 544 603 80</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	574 063 86
Unrestricted	<u>970 539 94</u>
Total Net Assets	<u>1 544 603 80</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 544 603 80</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF GANGES  
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2004

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental Activities:				
Legislative	22 460 95	-	-	(22 460 95)
General government	97 983 71	8 457 00	-	(89 526 71)
Public safety	174 114 06	43 640 50	45 879 00	(84 594 56)
Public works	469 079 50	-	-	(469 079 50)
Culture and recreation	386 26	-	-	(386 26)
Other	<u>22 224 07</u>	<u>-</u>	<u>-</u>	<u>(22 224 07)</u>
Total Governmental Activities	<u>786 248 55</u>	<u>52 097 50</u>	<u>45 879 00</u>	<u>(688 272 05)</u>
General Revenues:				
Property taxes				451 120 67
State revenue sharing				189 069 00
Interest				7 210 03
Miscellaneous				<u>4 344 42</u>
Total General Revenues				<u>651 744 12</u>
Change in net assets				(36 527 93)
Net assets, beginning of year				<u>1 581 131 73</u>
Net Assets, End of Year				<u>1 544 603 80</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GANGES  
Allegan County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2004

	<u>General</u>	<u>Roads</u>	<u>Fire</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>					
Cash in bank	324 236 31	252 652 87	207 103 51	157 202 25	941 194 94
Accounts receivable	<u>29 345 00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29 345 00</u>
Total Assets	<u>353 581 31</u>	<u>252 652 87</u>	<u>207 103 51</u>	<u>157 202 25</u>	<u>970 539 94</u>
<u>Liabilities and Fund Equity</u>					
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	353 581 31	252 652 87	207 103 51	157 202 25	970 539 94
Total fund equity	<u>353 581 31</u>	<u>252 652 87</u>	<u>207 103 51</u>	<u>157 202 25</u>	<u>970 539 94</u>
Total Liabilities and Fund Equity	<u>353 581 31</u>	<u>252 652 87</u>	<u>207 103 51</u>	<u>157 202 25</u>	<u>970 539 94</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GANGES  
Allegan County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2004

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	970 539 94
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	742 982 94
Accumulated depreciation	<u>(168 919 08)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 544 603 80</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GANGES  
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended June 30, 2004

	<u>General</u>	<u>Roads</u>	<u>Fire</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:					
Property taxes	66 355 65	219 874 36	109 931 04	54 959 62	451 120 67
Licenses and permits	4 060 00	-	-	43 640 50	47 700 50
Federal grant	-	-	45 879 00	-	45 879 00
State revenue sharing	189 069 00	-	-	-	189 069 00
Charges for services	4 397 00	-	-	-	4 397 00
Interest	3 806 77	1 619 08	1 165 89	618 29	7 210 03
Miscellaneous	2 199 42	-	370 00	1 775 00	4 344 42
Total revenues	<u>269 887 84</u>	<u>221 493 44</u>	<u>157 345 93</u>	<u>100 993 41</u>	<u>749 720 62</u>
Expenditures:					
Legislative:					
Township Board	22 460 95	-	-	-	22 460 95
General government:					
Supervisor	15 508 60	-	-	-	15 508 60
Elections	163 16	-	-	-	163 16
Assessor	22 980 00	-	-	-	22 980 00
Clerk	18 556 57	-	-	-	18 556 57
Board of Review	1 889 42	-	-	-	1 889 42
Treasurer	20 375 15	-	-	-	20 375 15
Building and grounds	2 914 13	-	-	-	2 914 13
Cemetery	13 442 15	-	-	-	13 442 15
Public safety:					
Ambulance	-	-	-	9 292 17	9 292 17
First Responder	-	-	-	21 089 50	21 089 50
Fire	-	-	42 625 64	-	42 625 64
Protective inspection	-	-	-	36 521 99	36 521 99
Planning and zoning	29 671 53	-	-	-	29 671 53
Public works:					
Highways and streets	368 53	468 054 98	-	-	468 423 51
Drains at large	406 20	-	-	-	406 20
Sanitation	249 79	-	-	-	249 79
Culture and recreation:					
Parks	346 26	-	-	-	346 26
Other:					
Insurance	16 037 52	-	-	-	16 037 52
Payroll taxes	6 186 55	-	-	-	6 186 55
Capital outlay	-	-	66 157 36	5 706 34	71 863 70
Total expenditures	<u>171 556 51</u>	<u>468 054 98</u>	<u>108 783 00</u>	<u>72 610 00</u>	<u>821 004 49</u>
Excess (deficiency) of revenues over expenditures	<u>98 331 33</u>	<u>(246 561 54)</u>	<u>48 562 93</u>	<u>28 383 41</u>	<u>(71 283 87)</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GANGES  
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended June 30, 2004

	<u>General</u>	<u>Roads</u>	<u>Fire</u>	<u>Other Funds</u>	<u>Total</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	40 000 00	40 000 00
Operating transfers out	-	-	-	(40 000 00)	(40 000 00)
Total other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	98 331 33	(246 561 54)	48 562 93	28 383 41	(71 283 87)
Fund balances, July 1	<u>255 249 98</u>	<u>499 214 41</u>	<u>158 540 58</u>	<u>128 818 84</u>	<u>1 041 823 81</u>
Fund Balances, June 30	<u>353 581 31</u>	<u>252 652 87</u>	<u>207 103 51</u>	<u>157 202 25</u>	<u>970 539 94</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GANGES  
Allegan County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2004

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (71 283 87)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense  
Capital Outlay

(37 107 76)  
71 863 70

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(36 527 93)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Ganges, Allegan County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Ganges. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Agency Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 4.0093 mills, and the taxable value was \$112,910,533.00.



TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	25 years
Buildings and improvements	15-35 years
Equipment and vehicles	5-25 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$574,063.86.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 3 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>941 194 94</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>769 173 12</u>
Total Deposits	<u>969 173 12</u>

The Township of Ganges did not have any investments as of June 30, 2004.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/04</u>
Land and improvements	1 500 00	-	-	1 500 00
Buildings and improvements	151 262 25	-	-	151 262 25
Equipment and vehicles	<u>518 356 99</u>	<u>71 863 70</u>	-	<u>590 220 69</u>
Total	671 119 24	71 863 70	-	742 982 94
Accumulated Depreciation	<u>(131 811 32)</u>	<u>(37 107 76)</u>	-	<u>(168 919 08)</u>
Net Capital Assets	<u>539 307 92</u>	<u>34 755 94</u>	-	<u>574 063 86</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 8 – Interfund Receivables and Payables

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>1.27</u>	Current Tax Collection	<u>1.27</u>

Note 9 – Transfers In and Transfers Out

For the fiscal year ended June 30, 2004, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
First Responder	<u>40,000.00</u>	Ambulance	<u>40,000.00</u>

Note 10 – Building Permits

As of June 30, 2004, the Township had building permit revenues of \$43,727.96 and building permit expenses of \$36,521.99.

TOWNSHIP OF GANGES  
Allegan County, Michigan

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	66 500 00	66 500 00	66 355 65	(144 35)
Licenses and permits	5 000 00	5 000 00	4 060 00	(940 00)
State revenue sharing	188 000 00	188 000 00	189 069 00	1 069 00
Charges for services	3 000 00	3 000 00	4 397 00	1 397 00
Interest	6 000 00	6 000 00	3 806 77	(2 193 23)
Miscellaneous	35 00	35 00	2 199 42	2 164 42
Total revenues	<u>268 535 00</u>	<u>268 535 00</u>	<u>269 887 84</u>	<u>1 352 84</u>
Expenditures:				
Legislative:				
Township Board	33 000 00	34 000 00	22 460 95	(11 539 05)
General government:				
Supervisor	16 400 00	16 400 00	15 508 60	(891 40)
Elections	5 000 00	5 000 00	163 16	(4 836 84)
Assessor	24 000 00	24 000 00	22 980 00	(1 020 00)
Clerk	19 400 00	19 400 00	18 556 57	(843 43)
Board of Review	3 500 00	3 500 00	1 889 42	(1 610 58)
Treasurer	23 900 00	23 900 00	20 375 15	(3 524 85)
Building and grounds	5 000 00	5 000 00	2 914 13	(2 085 87)
Cemetery	18 500 00	18 500 00	13 442 15	(5 057 85)
Public safety:				
Planning and zoning	43 000 00	44 000 00	29 671 53	(14 328 47)
Public works:				
Highways and streets	300 00	400 00	368 53	(31 47)
Drains at large	5 000 00	5 000 00	406 20	(4 593 80)
Sanitation	2 000 00	2 000 00	249 79	(1 750 21)
Culture and recreation:				
Parks	3 000 00	3 000 00	346 26	(2 653 74)
Other:				
Insurance	25 000 00	25 000 00	16 037 52	(8 962 48)
Payroll taxes	10 000 00	10 000 00	6 186 55	(3 813 45)
Contingency	<u>200 000 00</u>	<u>197 900 00</u>	-	<u>(197 900 00)</u>
Total expenditures	<u>437 000 00</u>	<u>437 000 00</u>	<u>171 556 51</u>	<u>(265 443 49)</u>
Excess (deficiency) of revenues over expenditures	(168 465 00)	(168 465 00)	98 331 33	266 796 33
Fund balance, July 1	<u>168 465 00</u>	<u>168 465 00</u>	<u>255 249 98</u>	<u>86 784 98</u>
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>353 581 31</u>	<u>353 581 31</u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROADS FUND  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	220 700 00	220 700 00	219 874 36	(825 64)
Interest	3 000 00	3 000 00	1 619 08	(1 380 92)
Total revenues	<u>223 700 00</u>	<u>223 700 00</u>	<u>221 493 44</u>	<u>(2 206 56)</u>
Expenditures:				
Public works:				
Highways and streets	<u>700 000 00</u>	<u>700 000 00</u>	<u>468 054 98</u>	<u>(231 945 02)</u>
Total expenditures	<u>700 000 00</u>	<u>700 000 00</u>	<u>468 054 98</u>	<u>(231 945 02)</u>
Excess (deficiency) of revenues over expenditures	(476 300 00)	(476 300 00)	(246 561 54)	229 738 46
Fund balance, July 1	<u>476 300 00</u>	<u>476 300 00</u>	<u>499 214 41</u>	<u>22 914 41</u>
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>252 652 87</u>	<u>252 652 87</u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

BUDGETARY COMPARISON SCHEDULE - FIIRE FUND  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	110 300 00	110 300 00	109 931 04	(368 96)
Federal grant	-	45 879 00	45 879 00	-
Interest	1 000 00	1 000 00	1 165 89	165 89
Miscellaneous	-	-	370 00	370 00
Total revenues	<u>111 300 00</u>	<u>157 179 00</u>	<u>157 345 93</u>	<u>166 93</u>
Expenditures:				
Public safety:				
Fire	83 600 00	83 600 00	42 625 64	(40 974 36)
Capital outlay	<u>30 000 00</u>	<u>75 879 00</u>	<u>66 157 36</u>	<u>(9 721 64)</u>
Total expenditures	<u>113 600 00</u>	<u>159 479 00</u>	<u>108 783 00</u>	<u>(50 696 00)</u>
Excess (deficiency) of revenues over expenditures	(2 300 00)	(2 300 00)	48 562 93	50 862 93
Fund balance, July 1	<u>2 300 00</u>	<u>2 300 00</u>	<u>158 540 58</u>	<u>156 240 58</u>
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>207 103 51</u>	<u>207 103 51</u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2004

Township Board:	
Salaries	7 835 00
Supplies	2 734 30
Professional services	1 386 35
Audit	2 600 00
Legal	3 899 79
Transportation	590 88
Printing and publishing	2 408 63
Miscellaneous	1 006 00
	<u>22 460 95</u>
Supervisor:	
Salary	12 500 00
Deputy	400 00
Supplies	121 09
Communication	166 52
Transportation	520 99
Rent	1 800 00
	<u>15 508 60</u>
Elections:	
Supplies	123 92
Miscellaneous	39 24
	<u>163 16</u>
Assessor:	
Contracted services	22 980 00
	<u>22 980 00</u>
Clerk:	
Salary	15 500 00
Deputy	400 00
Supplies	519 90
Communication	47 29
Transportation	289 38
Rent	1 800 00
	<u>18 556 57</u>
Board of Review:	
Salaries	1 260 00
Miscellaneous	629 42
	<u>1 889 42</u>
Treasurer:	
Salary	15 000 00
Deputy	1 000 00
Supplies	2 364 80
Transportation	606 86
Rent	1 200 00
Miscellaneous	203 49
	<u>20 375 15</u>
Building and grounds:	
Supplies	94 81
Contracted services	337 50
Utilities	2 481 82
	<u>2 914 13</u>



TOWNSHIP OF GANGES  
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2004

Cemetery:	
Salary	
Supplies	5 925 00
Grave openings	580 46
Professional services	3 242 50
Equipment rental	1 395 19
Miscellaneous	2 275 00
	<u>24 00</u>
	<u>13 442 15</u>
Planning and zoning:	
Planning Commission:	
Salaries	20 085 00
Supplies	1 805 97
Contracted services	4 755 00
Printing and publishing	1 076 16
Miscellaneous	1 194 40
Board of Appeals	<u>755 00</u>
	<u>29 671 53</u>
Highways and streets	<u>368 53</u>
Drains at large	<u>406 20</u>
Sanitation	<u>249 79</u>
Parks:	
Miscellaneous	<u>346 26</u>
Insurance	<u>16 037 52</u>
Payroll taxes	<u>6 186 55</u>
Total Expenditures	<u>171 556 51</u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
June 30, 2004

	<u>Roads</u>	<u>Ambulance</u>	<u>Fire</u>	<u>First Responder</u>	<u>Building</u>
<u>Assets</u>					
Cash in bank	<u>252 652 87</u>	<u>91 670 16</u>	<u>207 103 51</u>	<u>27 402 92</u>	<u>38 129 17</u>
Total Assets	<u>252 652 87</u>	<u>91 670 16</u>	<u>207 103 51</u>	<u>27 402 92</u>	<u>38 129 17</u>
<u>Liabilities and Fund Balances</u>					
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Unreserved:					
Undesignated	<u>252 652 87</u>	<u>91 670 16</u>	<u>207 103 51</u>	<u>27 402 92</u>	<u>38 129 17</u>
Total Liabilities and Fund Balances	<u>252 652 87</u>	<u>91 670 16</u>	<u>207 103 51</u>	<u>27 402 92</u>	<u>38 129 17</u>

Total

616 958 63

616 958 63

-

616 958 63

616 958 63

TOWNSHIP OF GANGES  
Allegan County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS  
Year ended June 30, 2004

	<u>Roads</u>	<u>Ambulance</u>	<u>Fire</u>	<u>First Responder</u>	<u>Building</u>
Revenues:					
Property taxes	219 874 36	54 959 62	109 931 04	-	-
Licenses and permits	-	-	-	-	43 640 50
Federal grant	-	-	45 879 00	-	-
Interest	1 619 08	402 42	1 165 89	128 41	87 46
Miscellaneous	-	-	370 00	1 775 00	-
Total revenues	<u>221 493 44</u>	<u>55 362 04</u>	<u>157 345 93</u>	<u>1 903 41</u>	<u>43 727 96</u>
Expenditures:					
Public safety:					
Ambulance:					
Contracted services	-	9 292 17	-	-	-
First Responder:					
Wages	-	-	-	13 968 00	-
Payroll taxes	-	-	-	1 068 54	-
Supplies	-	-	-	3 704 02	-
Utilities	-	-	-	1 100 78	-
Miscellaneous	-	-	-	264 66	-
Education	-	-	-	983 50	-
Fire:					
Wages	-	-	17 447 00	-	-
Payroll taxes	-	-	1 377 50	-	-
Supplies	-	-	10 102 81	-	-
Contracted services	-	-	4 467 73	-	-
Travel	-	-	512 72	-	-
Utilities	-	-	5 318 11	-	-
Repairs and maintenance	-	-	2 955 08	-	-
Miscellaneous	-	-	444 69	-	-
Protective inspection:					
Wages	-	-	-	-	10 720 00
Payroll taxes	-	-	-	-	820 08
Contracted services	-	-	-	-	21 223 00
Supplies	-	-	-	-	991 21
Telephone	-	-	-	-	252 68
Rent	-	-	-	-	1 800 00
Miscellaneous	-	-	-	-	715 02
Public works:					
Roads:					
Contracted services	468 054 98	-	-	-	-
Capital outlay	-	-	66 157 36	5 706 34	-
Total expenditures	<u>468 054 98</u>	<u>9 292 17</u>	<u>108 783 00</u>	<u>26 795 84</u>	<u>36 521 99</u>
Excess (deficiency) of revenues over expenditures	<u>(246 561 54)</u>	<u>46 069 87</u>	<u>48 562 93</u>	<u>(24 892 43)</u>	<u>7 205 97</u>

Total

384 765 02  
43 640 50  
45 879 00  
3 403 26  
2 145 00

479 832 78

9 292 17

13 968 00  
1 068 54  
3 704 02  
1 100 78  
264 66  
983 50

17 447 00  
1 377 50  
10 102 81  
4 467 73  
512 72  
5 318 11  
2 955 08  
444 69

10 720 00  
820 08  
21 223 00  
991 21  
252 68  
1 800 00  
715 02

468 054 98  
71 863 70

649 447 98

(169 615 20)

TOWNSHIP OF GANGES  
Allegan County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

Year ended June 30, 2004

	<u>Roads</u>	<u>Ambulance</u>	<u>Fire</u>	<u>First Responder</u>	<u>Building</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	40 000 00	-
Operating transfers out	-	(40 000 00)	-	-	-
Total other financing sources (uses)	-	(40 000 00)	-	40 000 00	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(246 561 54)	6 069 87	48 562 93	15 107 57	7 205 97
Fund balances, July 1	<u>499 214 41</u>	<u>85 600 29</u>	<u>158 540 58</u>	<u>12 295 35</u>	<u>30 923 20</u>
Fund Balances, June 30	<u>252 652 87</u>	<u>91 670 16</u>	<u>207 103 51</u>	<u>27 402 92</u>	<u>38 129 17</u>

Total

40 000 00  
(40 000 00)

(169 615 20)

786 573 83

616 958 63

TOWNSHIP OF GANGES  
Allegan County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended June 30, 2004

	<u>Balance</u> <u>7/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/04</u>
<u>Assets</u>				
Cash in Bank	<u>4 400 92</u>	<u>3 033 308 59</u>	<u>3 037 708 24</u>	<u>1 27</u>
<u>Liabilities</u>				
Due to other funds	375 92	453 321 04	453 695 69	1 27
Due to others	<u>4 025 00</u>	<u>2 579 987 55</u>	<u>2 584 012 55</u>	<u>-</u>
Total Liabilities	<u>4 400 92</u>	<u>3 033 308 59</u>	<u>3 037 708 24</u>	<u>1 27</u>



# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

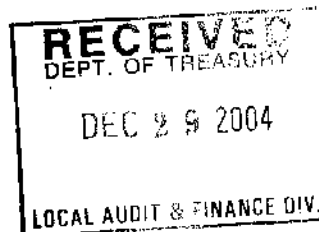
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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

November 24, 2004

To the Township Board  
Township of Ganges  
Allegan County, Michigan



We have audited the financial statements of the Township of Ganges for the year ended June 30, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Ganges in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Ganges  
Allegan County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended June 30, 2004. The implementation of this pronouncement for the Township of Ganges began with the year ended June 30, 2004. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2004.

To the Township Board  
Township of Ganges  
Allegan County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants